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Western loans may pay for Soviet covert moves

By Bill Gertz
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Western credits to Soviet-owned or controlled banks could be bankrolling Soviet covert operations, according to a former National Security Council official.

"A large amount of the credit extended to the Soviets has been untied, non-purpose lending ... which [has] a maturity considerably longer than the underlying transaction," said Roger W. Robinson Jr., who left the NSC staff last September.

Mr. Robinson said in a recent interview that he believes the Soviets — with only \$32 billion in annual hard currency earnings — use untied credits and unobserved bank transactions to produce millions of dollars to bankroll foreign adventures in such places as Latin America and Africa.

"If you had a short-term need to pay your American Express bill and somebody gave you two years to do it, you might think about putting off the bill for a couple of years ... [and] use it [the money] for another purpose," he said.

"That's the same flexibility that's provided to the Soviet Union, which has a potential down side for international security."

"If, for instance, some untied monies were downstreamed to the Sandinistas or other client states ... this obviously would be harmful to United States security interests," Mr. Robinson said.

But economist Daniel Bond said in an interview that he thinks

tightening controls on credits to the Soviets will not hinder Soviet operations. He said he sees little danger in the Soviets using their financial network to run their global operations.

"There's no way that making [Soviet banks] tie what we lend to them to specific projects is going to inhibit them at all in their supporting clandestine operations with cash, because they have other sources of cash," said Mr. Bond, a specialist at Wharton Econometrics, a consulting firm whose clients include major U.S. banks.

The Soviets are considered a good credit risk by Western banks and thus are not required to specify how Western credits are used, he said.

Mr. Robinson said such financial relations should be given a greater priority in the Western allies' security plans and loans to the Soviets should be monitored more closely.

"Economic and financial considerations are increasingly becoming the underpinnings of the superpower confrontation itself," said Mr. Robinson, who once handled loans to the Soviets for the Chase Manhattan Bank.

"Because the Soviet Union will be attracting larger amounts of borrowing during the current period of hard currency shortfalls, this is an appropriate time to take on this new issue," he added.

U.S. intelligence agencies have stepped up efforts in recent years to monitor the Soviet money trail. Intelligence services tracked clandestine Soviet money in schemes to pur-

chase four U.S. banks and in financial backing for Nicaraguan communists through banks and trading companies in Panama, Toronto and Madrid, according to intelligence sources.

Covert funds from Moscow also have been traced through Western banks to French Communist Party officials and newspapers. Italian Communist Party officials and the multi-million dollar industries they started decades ago with Soviet money, and even a bank in Chicago where large cash deposits are earning interest for the Polish intelligence service, sources said.

Last year the Soviets borrowed close to \$5 billion from Western banks, mostly in Western Europe and Japan, Mr. Robinson said, and they are expected to borrow equal amounts this year and next.

Short-term interbank loans between the largest Soviet-owned banks in London, Paris, Moscow, Frankfurt, Zurich and Vienna also provide the Soviets with an invisible pool of funds that can be used to earn interest on world financial markets, Mr. Robinson said.

He said he estimates that \$5 billion in Western deposits have been placed in Soviet-owned banks and "several billion" more have been placed in official Soviet bloc foreign trade banks.

Mr. Bond said he favors "business as usual" with the Soviets and believes it is impossible to follow Soviet covert funding because of the ease with which money is exchanged.

"They have to pay for these operations in cash, and whether or not they do it through loans or earnings through trade, it really doesn't matter," he said. "Whether that's something we should be alarmed about, I would say no."